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The Director of Central Intelligence
Washington, D.C. 20505



National Intelligence Council

NIC No. 05960-85/1
3 December 1985

MEMORANDUM FOR: See Distribution


FROM:


Assistant National Intelligence Officer for Europe

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SUBJECT: Warning and Forecast Report for Europe

1. Attached is my report to the DCI based on our meeting held on 20 November 1985. If there are any significant amendments or additions you would wish to make, please let me know.

2. Next month's warning meeting will be held 18 December 1985 at 1015 in room 7-E-62, CIA Headquarters. Please have your clearances passed and call  with names of the attendees by noon, 17 December 1985.

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3. I also encourage you to phone in suggestions for the agenda and proposals to make opening presentations. It would be helpful to have your comments for the next meeting by Monday, 9 December 1985.



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Attachment:
a/s

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National Intelligence Council

NIC No. 05960-85
3 December 1985

MEMORANDUM FOR: Director of Central Intelligence
Deputy Director of Central Intelligence

FROM: [REDACTED]
Assistant National Intelligence Officer for Europe

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SUBJECT: November Warning and Forecast Meeting

I. Main Discussion Items

A. Portugal: Sharper Polarities

1. Discussion. Cavaco Silva's decision to undo the old ruling coalition last summer has led to ever-widening shocks for the old left-center consensus in national politics. As the leader of a minority government he has continued to chart a new, more conservative course for his party and the nation. As one result, many leftists--still quarreling among themselves--have moved towards more radical programs. And Silva may seek new elections this spring to consolidate his position while the left is still divided.

The Presidential elections in January could see the weak Communist party become the balance of power on the left. A runoff is nearly certain and recent reports suggest that the Communists would throw their votes to Francisco Zenha, the choice of the Eanista Democratic Renewal Party, presumably to establish leverage with Zenha.

2. Warning Note. Soares' loss in the October elections changed an exceptionally favorable situation in which the US got fullest cooperation from his government. Cavaco Silva, as he searches for advantages at home, will be less likely to agree as easily on issues--including some security matters--that matter most to the US.

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B. Greece: Papandreou's Problems on the Left

1. Discussion. Prime Minister Papandreou is increasingly under attack by leftist PASOK and labor officials over his new austerity program. (Ex-minister of the economy Arsenis, for example, is forming an anti-austerity faction within PASOK and press spokesman Laliotis resigned in protest last week.)

But Papandreou has been able to stonewall as his critics do not have the strength to test him.

- The opposition New Democracy Party is preparing for its conference in February.
- The KKE, following Soviet guidance, is not pressing him too hard.
- The business community, although unhappy with import restraints, sees a need to reassure foreign lenders--especially the EC which has tied the second tranche of a major loan to improved financial performance.

So far Papandreou has been tough, using the police to contain student rioters and the courts to unseat rebellious labor officials. But, as the pressure on him grows, it will be harder for him to hold his ground.

2. Warning Note. Most analysts believe Papandreou will weather such tests without trying to distract critics by anti-US rhetoric. But many analysts also think he might instigate new strains with Turkey to unify the Greeks behind him.

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C. Eastern Europe: Food and Energy Shortages

1. Discussion. All the southern tier Warsaw Pact countries plus Yugoslavia face food and energy shortages this winter. A prolonged drought with poor harvests and drawdowns of hydro-power reservoirs have accentuated chronic infrastructure problems due to policy errors.

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- Romania faces a bleak winter and Ceausescu recently made some panic moves, ordering a centralized meal distribution program and sending in the military to oversee power generation plants. He also purchased some grain abroad this fall--after his ambitious grain export drive drew down reserves during the early drought. A repeat of last year's hardships is likely and worse privations could accompany another harsh winter.
- Bulgaria's 1985 harvest was down about 20 percent and Sofia has raised prices for all non-staple foods to hold down consumer demand. In 1986 the Soviets reportedly are going to reduce oil deliveries but a recent report from Sofia suggests that the Soviets may be supplying extra power to limit electrical cutbacks.
- Energy shortages could mean that Yugoslavia returns to the phased blackouts common through the winter of 1983-1984 and that Hungary's growth lags again in early 1986. Both face tough choices between extra expenditures of scarce hard currency for oil and possible cutbacks in production.

2. Warning Notice: Should living conditions become very bad in a severe winter, popular acts of defiance could occur--especially in Romania. Gorbachev might try to increase potential Soviet leverage through selective energy exports to loyalist regimes in order to indirectly pressure the Romanians and Yugoslavs into compliance with Soviet wishes.

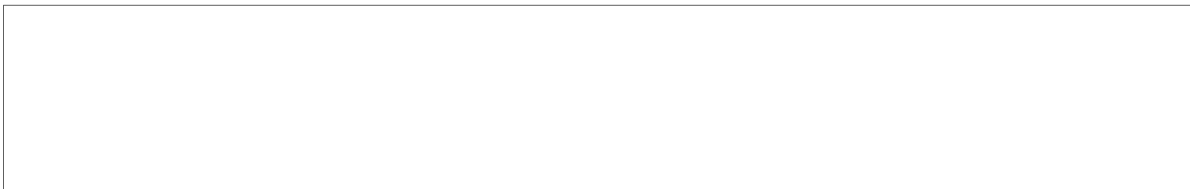


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II: Monitoring Items

A. Craxi's Coalition Strategy

1. Discussion. Premier Craxi is wooing CPI voters who are dispirited over their party's sagging electoral performances, leading some pundits to speculate about a Craxi deal with the CPI. Although this is unlikely, there is continued speculation about a stage-managed government crisis this spring after the Christian Democrats select new leaders at their March congress.




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B. Negotiations on SDI

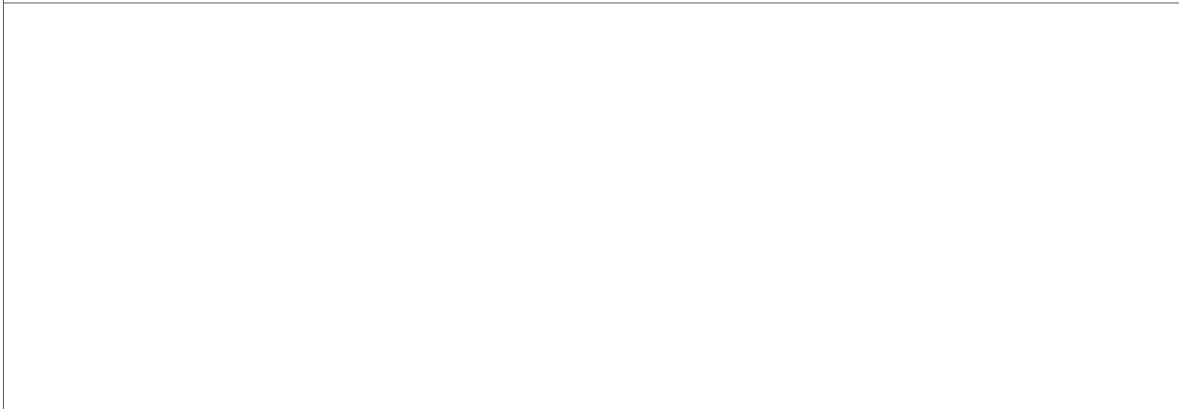
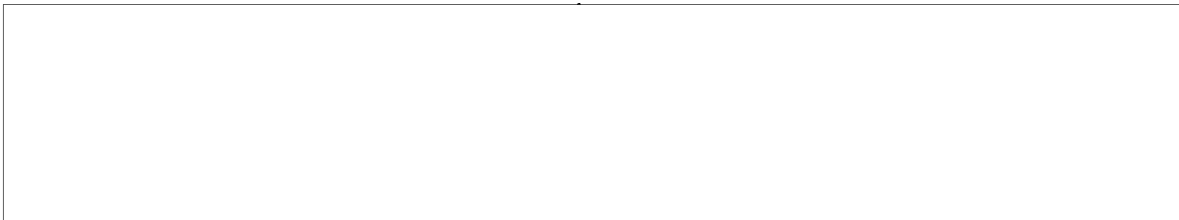
1. Discussion. The closer SDI agreements with the Allies get to closure, the tougher the issues causing delays. The last hangups with the British are over tech transfer and commercial exploitation. The chances for Bonn to sign an agreement are improving. But the East Germans may use the promise of a Honecker visit--now being talked about for next spring--to reinforce West German reluctance to sign an SDI agreement early or first.



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C. Spain and the NATO Referendum

1. Discussion. Premier Gonzalez still is waffling on the NATO referendum issue. One poll recently showed a slight movement toward Prime Minister Gonzalez's pro-NATO stance and, despite conflicting evidence from other polls, he probably saw this as a sign that he is right to go ahead with the referendum on NATO membership. But very recently Gonzalez postponed the parliamentary debate on foreign policy from mid December to January--a sign which some read as a prelude to his abandonment of his referendum promise.



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